

Interstate Power Company  
Interstate Power and Light CompanyExhibit No. 4 (DAD-2) Page 1 of 3Alliant Energy  
IES/IPC Proposed Merger  
Potential Benefits, Net of Costs to Achieve  
In Thousands

Compound periods	1	2	3	4	5	6	7	8	9	10	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Benefits:											
Inventory reductions (1)	\$ 235	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 435	\$ 4,150
Miscellaneous (2)	96	96	96	111	111	111	111	111	111	111	1,065
Labor-inventory (3)	25	50	50	50	50	50	50	50	50	50	475
Fewer LR meters (4)	9	18	27	27	27	27	27	27	27	27	243
Gross benefits	365	599	608	623	623	623	623	623	623	623	5,933
Costs to Achieve:											
Regulatory approvals	(100)										(100)
System conversion (5)	(420)										(420)
Transp-inventory (6)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,000)
Severances-inventory	(16)	(16)									(33)
Net Benefits/(Costs)	\$ (271)	\$ 483	\$ 508	\$ 523	\$ 523	\$ 523	\$ 523	\$ 523	\$ 523	\$ 523	\$ 4,380
NPV (7)	\$2,654	(\$250)	\$410	\$398	\$377	\$348	\$321	\$295	\$272	\$251	\$231

(1) Stated in revenue requirement in order to be comparable to expense savings. Used RORB of 10% divided by 1-TR.  
 $.10/1-.4257 = .174$ . Inventory reduction estimated to be \$2.5 million, times .174 = \$435K per year.

Inventory benefits expected to come from centralizing distribution centers for Iowa inventory into the existing IES distribution system.

(2) See attached tab "Misc Support" for details.

(3) Assumes a conservative 1 full-time equivalent reduction as a result of the consolidating the inventory distribution system (see FN 1).

(4) We expect to need fewer load research meters for measuring demands since we will need to sample only 1 company vs. 2.

(5) Estimate to update systems in order to accommodate only one company verses two.

(6) We estimate that we will add additional delivery routes between our distribution centers and use centers.

(7) Used discount rate of 8.50% (10% RORB 8.5%)

OFFICIAL FILE  
 I.C.C. DOCKET NO. 00-0261  
 Applicant's Exhibit No. 4  
 Witness \_\_\_\_\_  
 Date 9/1/00 Reporter SN

Interstate Power Company  
Interstate Power and Light CompanyExhibit No. 4 (DAD-2) Page 3 of 3Alliant Energy  
IES/IPC Proposed Merger  
Estimated State Jurisdictional Portion of  
Potential Benefits, Net of Costs to Achieve  
In Thousands

Inventory reductions	Gross Plant	2,217	178	51	208	10	6	2,670
Miscellaneous	Revenues	600	42	13	24	8	3	690
Labor-inventory	Gross Plant	253	20	6	24	1	1	305
Fewer LR meters	Revenues	140	10	3				153
NVP of Gross benefits		3,210	251	73	256	19	10	3,818
NPV of Costs to Achieve:								
Regulatory approvals	Revenues	(80)	(6)	(2)	(3)	(1)	(0)	(92)
System conversion	Revenues	(337)	(24)	(7)	(13)	(4)	(2)	(387)
Transp-inventory	Gross Plant	(545)	(44)	(12)	(51)	(2)	(2)	(656)
Severances-inventory	Gross Plant	(24)	(2)	(1)	(2)	(0)	(0)	(29)
NPV of Net Benefits/(Costs)		<u>\$ 2,224</u>	<u>\$ 176</u>	<u>\$ 51</u>	<u>\$ 186</u>	<u>\$ 11</u>	<u>\$ 6</u>	<u>\$ 2,654</u>

Support for Miscellaneous Benefits  
IES/IPC MergerExhibit No. 4 (DAD-2) Page 2 of 3

Description	Inventory	Reduction	Rate Base	Revenue/Expense Impact
1. Gas meter inventory levels	33,000	25%	8,250	1,436
2. Reduced labor to manage inventory				11,000
3. Reduced storeroom size re: consolidated inventories			29,070	5,058
4. Transferring spare parts across boundaries*				3,000
5. Redefine work rule areas into more logical areas*				10,000
6. Fewer premiums paid due to crossing boundaries*				2,500
8. Not having to close 1 set of books; not having to create IPC reports, fewer SAS reports, etc.				15,000
11. Fewer load research meters needed**			50,000	-
12. One less data acquisition person for processing				45,000
13. Reduction to maintenance agreement				18,000
				<u>\$ 110,994</u>

## Summary:

Years 1-3 (total less items 4-6)

\$ 95,494

Years 4-10

\$ 110,994

\*Note: we will not be able to achieve cross-boundary benefits without negotiations with unions.

\*\* \$50K capital reduction in each of year 2000, 2001 and 2002. Shown as separate line on summary sheet.